



**ASSEMBLY SUBSTITUTE AMENDMENT 1,  
TO ASSEMBLY BILL 181**

1 **AN ACT** *to create* 16.295, 20.505 (1) (fm) and 25.17 (72) of the statutes; **relating**  
2 **to:** venture capital investment program and making an appropriation.

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*Analysis by the Legislative Reference Bureau*

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

3 **SECTION 1.** 16.295 of the statutes is created to read:

4 **16.295 Fund of funds investment program.** (1) **DEFINITION.** In this section,  
5 “investment manager” means the person the committee selects under sub. (3) (a) 1.

6 **(2) ESTABLISHMENT OF PROGRAM.** The department shall establish and  
7 administer a program for the investment of moneys in venture capital funds that  
8 invest in businesses located in this state.

9 **(3) SELECTION OF INVESTMENT MANAGER; CONTRACT APPROVAL.** (a) 1. The secretary  
10 shall form a committee to select the investment manager. The committee shall

1 consist of 3 representatives of the investment board and 2 representatives, appointed  
2 by the secretary, of the capital finance office in the department. The committee shall  
3 select a person as investment manager who has expertise in the venture capital or  
4 private equity asset class.

5 2. When the department gives the notice under par. (b) 1., the department shall  
6 submit its proposed contract with the investment manager to the legislative audit  
7 bureau for review. The legislative audit bureau shall review the proposed contract  
8 and, within 14 days after it receives the proposed contract for review, submit to the  
9 joint committee on finance and the department a letter of review that evaluates the  
10 terms of the contract and offers an opinion concerning the extent to which the  
11 contract conforms with this section and implements subs. (4) to (7).

12 (b) 1. The secretary shall notify in writing the joint committee on finance of the  
13 investment manager selected under par. (a) 1. The notice shall include the  
14 department's proposed contract with the investment manager.

15 2. If, within 14 working days after the date the joint committee on finance  
16 receives the legislative audit bureau's letter of review under par. (a) 2., the  
17 cochairpersons of the joint committee on finance do not notify the secretary that the  
18 committee has scheduled a meeting to determine whether the department's proposed  
19 contract with the investment manager is contrary to this section or fails to  
20 implement an applicable provision of subs. (4) to (7), the department and investment  
21 manager may execute that contract. If, within 14 working days after the date of that  
22 notice, the cochairpersons of the committee notify the secretary that the committee  
23 has scheduled that meeting, the department and investment manager may execute  
24 the contract unless the committee determines at that meeting that the contract, in

1 whole or in part, is contrary to this section or fails to implement an applicable  
2 provision of subs. (4) to (7).

3 (4) CONTRACT WITH INVESTMENT MANAGER; DISCLOSURE REQUIREMENT. (a) Subject  
4 to sub. (3), the department shall contract with the investment manager. The contract  
5 shall establish the investment manager's compensation, including any management  
6 fee. Any management fee may not exceed, annually for no more than 4 years, 1  
7 percent of the total moneys designated under sub. (5) (b) 1. and raised under sub. (5)  
8 (b) 3.

9 (b) The investment manager shall disclose to the department any interest that  
10 it or an owner, stockholder, partner, officer, director, member, employee, or agent of  
11 the investment manager has in a venture capital fund that receives moneys under  
12 sub. (5) (b) or a business in which a venture capital fund invests those moneys.

13 (5) INVESTMENTS IN VENTURE CAPITAL FUNDS. (a) Subject to sub. (4) (a), the  
14 department shall pay \$25,000,000 from the appropriation under s. 20.505 (1) (fm) to  
15 the investment manager in fiscal year 2013–14.

16 (b) The investment manager shall invest the following moneys in at least 4  
17 venture capital funds:

- 18 1. The moneys under par. (a).  
19 2. At least \$300,000 of the investment manager's own moneys.  
20 3. At least \$5,000,000 that the investment manager raises from sources other  
21 than the department.

22 (c) 1. Of the moneys designated under par. (b), the investment manager may  
23 not invest more than \$10,000,000 in a single venture capital fund.

24 2. Of the moneys designated under par. (b), the investment manager shall  
25 commit at least one-half of those moneys to investments in venture capital funds

1 within 12 months after the date the investment manager executes the contract under  
2 sub. (4) (a), and the investment manager shall commit all of those moneys to  
3 investments in venture capital funds within 24 months after that date.

4 (d) The investment manager shall contract with each venture capital fund that  
5 receives moneys under par. (b). Each contract shall require the venture capital fund  
6 to do all of the following:

7 1. Make new investments in an amount equal to the moneys it receives under  
8 par. (b) in one or more businesses that are headquartered in this state and employ  
9 at least 50 percent of their full-time employees, including any subsidiary or other  
10 affiliated entity, in this state, and invest at least one-half of those moneys in one or  
11 more businesses that employ fewer than 150 full-time employees, including any  
12 subsidiary or other affiliated entity, when the venture capital fund first invests  
13 moneys in the business under this section. The venture capital fund's contract with  
14 a business in which the venture capital fund makes an investment under this  
15 subdivision shall require that, if within 3 years after the venture capital fund makes  
16 that investment, the business relocates its headquarters outside of this state or fails  
17 to employ at least 50 percent of its full-time employees, including any subsidiary or  
18 other affiliated entity, in this state, the business shall promptly pay to the venture  
19 capital fund an amount equal to the total amount of moneys designated under par.  
20 (b) 1. that the venture capital fund invested in the business. The venture capital fund  
21 shall reinvest those moneys in one or more businesses that are eligible to receive an  
22 investment under this subdivision, subject to the requirements of this section.

23 2. Commit at least one-half of any moneys it receives under par. (b) to  
24 investments in businesses within 24 months after the date it receives those moneys

1 and commit all of those moneys to investments in businesses within 48 months after  
2 that date.

3 3. Invest all of the moneys it receives under par. (b) in businesses in the  
4 agriculture, information technology, engineered products, advanced manufacturing,  
5 medical devices, or medical imaging industry and attempt to ensure that all of those  
6 moneys are invested in businesses that are diverse with respect to geographic  
7 location within this state.

8 4. At least match any moneys it receives under par. (b) and invests in a business  
9 with an investment in that business of moneys the venture capital fund has raised  
10 from sources other than the investment manager. The investment manager shall  
11 ensure that, on average, for every \$1 a venture capital fund receives under par. (b)  
12 and invests in a business, the venture capital fund invests \$2 in that business from  
13 sources other than the investment manager.

14 5. Provide to the investment manager the information necessary for the  
15 investment manager to complete the annual report under sub. (7) (a) and the  
16 quarterly report under sub. (7) (c).

17 6. Disclose to the investment manager and the department any interest that  
18 the venture capital fund or an owner, stockholder, partner, officer, director, member,  
19 employee, or agent of the venture capital fund holds in a business in which the  
20 venture capital fund invests or intends to invest moneys received under par. (b).

21 (e) The investment manager's profit-sharing agreement with each venture  
22 capital fund that receives moneys under par. (b) shall be on terms that are  
23 substantially equivalent to the terms applicable for other funding sources of the  
24 venture capital fund.

1           **(6) SPECIAL REQUIREMENTS FOR INVESTMENTS OF MONEYS CONTRIBUTED BY THE**  
2     STATE. (a) The investment manager shall hold in an escrow account its gross proceeds  
3     from all investments of the moneys designated under sub. (5) (b) 1. until the  
4     investment manager satisfies par. (b).

5           (b) At least annually, the investment manager shall pay any moneys held under  
6     par. (a) to the secretary for deposit into the general fund until the investment  
7     manager has paid a total of \$25,000,000 under this paragraph.

8           (c) After the investment manager satisfies par. (b), the investment manager  
9     shall pay 90 percent of its gross proceeds from investments of the moneys designated  
10    under sub. (5) (b) 1. to the secretary for deposit into the general fund.

11          **(7) REPORTS OF THE INVESTMENT MANAGER; PUBLIC DISCLOSURES.** (a) Annually,  
12    within 120 days after the end of the investment manager's fiscal year, the investment  
13    manager shall submit a report to the department for that fiscal year that includes  
14    all of the following:

15           1. An audit of the investment manager's financial statements performed by an  
16    independent certified public accountant.

17           2. The investment manager's internal rate of return from investments under  
18    sub. (5) (b).

19           3. For each venture capital fund that contracts with the investment manager  
20    under sub. (5) (d), all of the following:

21           a. The name and address of the venture capital fund.

22           b. The amounts invested in the venture capital fund under sub. (5) (b).

23           c. An accounting of any fee the venture capital fund paid to itself or any  
24    principal or manager of the venture capital fund.

1           d. The venture capital fund's average internal rate of return on its investments  
2 of the moneys it received under sub. (5) (b).

3           4. For each business in which a venture capital fund held an investment of  
4 moneys the venture capital fund received under sub. (5) (b), all of the following:

5           a. The name and address of the business.

6           b. A description of the nature of the business.

7           c. An identification of the venture capital fund that made the investment in the  
8 business.

9           d. The amount of each investment in the business and the amount invested by  
10 the venture capital fund from funding sources other than the investment manager.

11           e. The internal rate of return realized by the venture capital fund upon the  
12 venture capital fund's exit from the investment in the business.

13           f. A statement of the number of employees the business employed when the  
14 venture capital fund first invested moneys in the business that the venture capital  
15 fund received under sub. (5) (b), the number of employees the business employed on  
16 the first day of the investment manager's fiscal year, and the number of employees  
17 the business employed on the last day of the investment manager's fiscal year.

18           (b) No later than 10 days after it receives the investment manager's report  
19 under par. (a), the department shall submit the report to the chief clerk of each house  
20 of the legislature, for distribution to the legislature under s. 13.172 (2).

21           (c) Quarterly, the investment manager shall submit a report to the department  
22 for the preceding quarter that includes all of the following:

23           1. An identification of each venture capital fund under contract with the  
24 investment manager under sub. (5) (d).

1           2. An identification of each business in which a venture capital fund held an  
2 investment of moneys the venture capital fund received under sub. (5) (b) and a  
3 statement of the amount of the investment in each business that separately specifies  
4 the amount of moneys designated under sub. (5) (b) 1. that were contributed to the  
5 investment.

6           3. A statement of the number of employees the business employed when the  
7 venture capital fund first invested moneys in the business that the venture capital  
8 fund received under sub. (5) (b) and the number of employees the business employed  
9 at the end of the quarter.

10           (d) The department shall make the investment manager's quarterly report  
11 under par. (c) readily accessible to the public on the department's Internet site.

12           **(8) PROGRESS REPORTS.** In 2015 and 2018, no later than March 1, the department  
13 shall submit reports to the joint committee on finance that include all of the  
14 following:

15           (a) A comprehensive assessment of the performance to date of the investment  
16 program under this section.

17           (b) Any recommendations the department has for improvement of the  
18 investment program under this section and the specific actions the department  
19 intends to take or proposes to be taken to implement those recommendations.

20           (c) Any recommendations the investment board has for improvement of the  
21 investment program under this section and the specific actions the investment board  
22 proposes to be taken to implement those recommendations.

23           **(9) EXEMPTION FROM LOW BID AND CONTRACTUAL SERVICES REQUIREMENTS.** Sections  
24 16.705 and 16.75 do not apply to this section.



**SECTION 2.** 20.005 (3) (schedule) of the statutes: at the appropriate place, insert the following amounts for the purposes indicated:

	<b>2013–14</b>	<b>2014–15</b>
<b>20.505 Administration, department of</b>		
(1) SUPERVISION AND MANAGEMENT		
(fm) Fund of funds investment pro-		
gram	GPR A 25,000,000	–0–

**SECTION 3.** 20.505 (1) (fm) of the statutes is created to read:

20.505 **(1)** (fm) *Fund of funds investment program.* The amounts in the schedule for the venture capital investment program under s. 16.295.

**SECTION 4.** 25.17 (72) of the statutes is created to read:

25.17 **(72)** Appoint the board's representatives to the committee under s. 16.295 (3) (a).

(END)